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October 15, 2008

Via E-mail and U.S. Mail

Phillip Giudice, Commissioner  
Massachusetts Department of Energy Resources  
100 Cambridge Street  
Suite 1020  
Boston, Ma 02114

Subject: Renewable Portfolio Standards Class 2 Comments

Dear Commissioner Giudice:

Burlington Electric Department (BED) has several comments on the Class 1 Renewable Portfolio Standards that are being contemplated. BED is a municipal electric utility that operates the largest biomass generating station in New England. BED currently gets 2/3 of their power supply from renewable sources, and has a goal to get 100% from renewable plants. As a municipally owned non profit organization, BED's first priority is the benefit of their ratepayers.

Our comments on the Class 2 Standards are as follows:

*Alternative Compliance Payment (ACP)*

The Alternative Compliance Payment serves as a ceiling for the market price for renewable energy credits in a given market. It is generally thought to compensate the renewable generator for the incremental cost of using renewable energy sources for generation. While it is clearly less costly to modify an existing plant than to build a new one, the modifications are still quite costly. As long as DER/DEP requires the same emission limits and advanced technology requirements for existing plants, existing plants will have to add nitrogen oxide (NOx) reduction systems, particulate removal upgrades and possibly carbon monoxide (CO) reduction systems. Not only do these systems have high capital and operating costs, the catalyst has to be replaced regularly at great expense. BED recommends that the Class 2 ACP be set at 80% of the Class 1 ACP.



*New or Modified Criteria*

Currently, the biomass eligibility guidelines require that biomass plants maintain low nitrogen oxides (NOx) and particulate (PM) emissions. It also requires that biomass plants maintain Carbon Monoxide emissions of less than 200 ppm as a surrogate to indicate PM levels are being met. Most existing biomass plants cannot meet this CO limit, and in actual practice the CO emissions are not a good indication of PM emissions. Continuing the CO surrogate requirement, will require existing biomass plants to install and operate CO catalyst systems at great expense. Even if CO emissions were an indication of PM emissions, removing the CO catalyst after they are produced would negate any possible value for that purpose.

BED recommends that DER/DEP require an annual particulate testing program and Compliance Assurance Monitoring (CAM) program for plants wishing to qualify for Class 1. This is a more representative measure of PM emissions, and commonly used in many states for air emission compliance. The CAM program could stipulate minimum power levels and collecting fields in service based on test data to ensure limits are met.

*Class 2 Segmentation*

Because Class 2 eligibility is limited to plants that began commercial operation on or before December 31, 1997, the plants that currently or potentially qualify is known and limited. Class 2 will primarily consist of biomass, trash or small hydro generators.

Biomass plants purchase their fuel. This item alone constitutes about 75% of the total operating budget for a typical biomass generator. In just the past 5 years the cost of fuel for biomass plants has almost doubled. Hydroelectric generators typically get their fuel at no cost. Trash burners get paid to take their fuel! Putting all of these fuels on a level playing field in Class 2 is clearly not appropriate. Of even greater concern is the potential for trash burners outside of New England to overwhelm the market of all sources if treated equally.

BED recommends that the Class 2 generators be segmented into three sub categories, Biomass, Trash, and Other. It seems reasonable to allocate the Class 2 RECs between these categories proportional to the existing resources of these types currently in New England. In April 2008, ISO New England released the latest update of the Capacity, Energy, Loads and Transmission Forecast Report, (CELT). The average of the winter and summer capability for generators currently operational in New England from Wood, Trash and Small Hydro is as follows:

Wood	47.5%
Trash	34.6%
Other, (small hydro)	17.9%
Total	100%

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BED recommends that the Class 2 be segmented into three subcategories with Class 2 RECs divided similar to the proportions above. Each segment would have its own market price, but share a common ACP.

*Vintage Requirement*

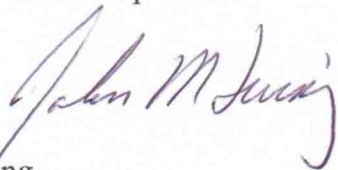
BED does not feel it is appropriate or necessary to have a vintage requirement in Class 2.

In summary BED recommends the following pertaining to Class 2:

- The ACP for Class 2 be fixed at 80% of the Class 1 ACP
- DER/DEP replace the current CO surrogate for particulate compliance with annual particulate testing
- Class 2 be segmented into three subcategories with Class 2 RECs allocated as follows:
  - Wood 47.5%
  - Trash 34.6%
  - Other 17.9%
- No vintage waiver for Class 2 resources

Respectfully submitted,

Burlington Electric Department



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